

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NO. 11-0369**

**AQUA ILLINOIS, INC.**

**DIRECT TESTIMONY**

**OF**

**CRAIG L. BLANCHETTE**

**June 3, 2011**

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6   **I.     INTRODUCTION**

7   **Q1.    Please state your name and business address.**

8   **A.     Craig L. Blanchette, 1000 S. Schuyler Avenue, Kankakee, Illinois 60901.**

9   **Q2.    By whom are you employed and in what capacity?**

10  **A.     I am employed by Aqua Illinois, Inc. (“Aqua” or the “Company”) as Vice President**  
11       **and Regional Manager.**

12  **Q3.    Please state your educational, professional and business background and**  
13       **experience.**

14  **A.     I hold certifications in Water and Wastewater Treatment in both Illinois and Indiana.**  
15       **I also hold a masters of business administration degree from Olivet Nazarene**  
16       **University. I am a member of the American Water Works Association.**

17  **Q4.    What are your responsibilities as Vice President and Regional Manager of**  
18       **Aqua?**

19  **A.     I have overall responsibility for the day-to-day operations of the Kankakee water, the**  
20       **University Park water and wastewater, the Oakview water, the Willowbrook water**  
21       **and wastewater, and the Lake County, Indiana water and wastewater Tariff Areas. I**  
22       **also assist the Company President and other officers in developing goals and**

objectives for the Company and in administering policies and procedures as approved by the Board of Directors of the Company. It is my responsibility to ensure that these goals and objectives are achieved. I, along with other Company officers, represent the Company before governmental and regulatory agencies, formulate financial objectives and budgets, and provide the direction necessary to meet those objectives while remaining within budgetary guidelines. I am part of the management team, which establishes employee levels, working conditions, and safety requirements within guidelines established by the Board of Directors and the President of the Company. My responsibilities include establishing guidelines from negotiation of labor contracts with the labor union representing employees in the Kankakee Tariff Area, as well as other special contracts. I have the responsibilities associated with providing excellent customer service, and developing and controlling the Company's operating, maintenance and capital budgets as well as providing direction in the areas of construction, purchases or other acquisitions, operation, maintenance and protection of all property, facilities and equipment required to maintain water quality standards and continuity of service.

**Q5. Please describe Aqua.**

**A.** Aqua is a corporation duly incorporated under the laws of the State of Illinois and is duly authorized to transact business in the State of Illinois. Aqua provides water and sewer utility service to the public in certain areas of Will, Kankakee, Vermillion, Boone, Knox, Lake, Champaign, Cook and Dekalb Counties in the State of Illinois. Aqua is a public utility within the meaning of the Illinois Public Utilities Act (the "Act"), 220 ILCS 5/3-105.

46 **II. PURPOSE OF TESTIMONY**

47 **Q6. What is the purpose of your testimony in this proceeding?**

48 **A.** The purpose of my testimony is to support Aqua's Verified Petition for both  
49 temporary and permanent Certificates of Public Convenience and Necessity  
50 ("Temporary Certificate" and "Certificate", respectively) authorizing the Company to  
51 construct, operate and maintain a water distribution system and wastewater collection  
52 system, and in connection therewith, to transact a public utility business in an area of  
53 Will County, Illinois (the "Expanded Area") which is contiguous to areas for which  
54 Aqua was previously granted Certificates of Public Convenience and Necessity (the  
55 "Original Certificated Area"). I will address the various regulatory aspects of the  
56 Company's Verified Petition, including the need for expedited review of Aqua's  
57 request for a Temporary Certificate, the area to be served, the required facilities and  
58 requested approvals for accounting entries, depreciation rates and rates for water and  
59 sewer service in the Expanded Area.

60 **III. BACKGROUND**

61 **Q7. Please describe the Original Certificated Area.**

62 **A.** The Original Certificated Area is located in Will County, Illinois, and is adjacent to  
63 Monee Township. In Docket Nos. 84-0116, 88-0060, 94-0461, and 98-0340 the  
64 Commission granted Aqua Certificates of Public Convenience and Necessity to  
65 provide water distribution and wastewater collection service to customers residing  
66 in the Original Certificated Area. Specifically, in order to serve its customers in  
67 the Original Certificated Area, Aqua caused to be constructed sewer mains along  
68 Ridgeland Avenue (the "Ridgeland Mains") within the Original Certificated Area.

69 The boundaries of the Original Certificated Area are shown on Aqua Exhibit 1.1,  
70 attached hereto. Aqua currently has pending before the Commission, in Docket 06-  
71 0655, a petition to further expand the University Park certificated area, as also  
72 shown on Aqua Exhibit 1.1.

73 **Q8. Please describe the Expanded Area.**

74 **A.** The Original Certificated Area and the Ridgeland Mains are adjacent to an area of  
75 Will County situated in Monee Township which is not currently served by Aqua,  
76 the Expanded Area. The boundaries of the Expanded Area are shown on Aqua  
77 Exhibit 1.1. A legal description of the Expanded Area is attached as Aqua Exhibit  
78 1.2. The majority of the Expanded Area is within the corporate limits of the  
79 Village of Monee (“Monee”). The Expanded Area consists of light commercial  
80 developments (strip malls), two residences, and undeveloped areas.

81 **Q9. Has Aqua been asked to provide service in the Expanded Area?**

82 **A.** Yes. Aqua has been asked to provide immediate wastewater collection service to  
83 the Expanded Area. Specifically, BC Development owns two commercial  
84 buildings in the Expanded Area which house a variety of commercial tenants. BC  
85 Development and its commercial tenants have daily sanitary requirements which  
86 are currently being served on a “pump and haul” basis by Monee. Monee has  
87 requested that Aqua relieve this burden, and that it take “any and all available  
88 actions to expedite certificating” the Expanded Area so that Aqua can serve BC  
89 Development’s sanitary sewer demands. A copy of Monee’s March 29, 2011 letter  
90 to Aqua requesting expedited certificating of the Expanded Area is attached as  
91 Aqua Exhibit 1.3. BC Development is considering constructing additional

commercial buildings if and when Aqua is able to provide sewer service in the area. Further, certain other commercial entities in the Expanded Area utilize septic fields for sewer service. These commercial entities may also seek to receive sewer service from Aqua once a Certificate becomes effective and Aqua can provide service in the area. Aqua anticipates that it also may be required to serve the water and wastewater needs of other future customers as the Expanded Area is developed.

**Q10. Are there other entities besides Aqua that could possibly provide the necessary wastewater services?**

**A.** No. Other than Monee, which has requested that Aqua provide sewer service in the Expanded Area, no other utility provider in the Expanded Area is able or willing to provide the requisite sewer service. In addition, no municipal corporation or other entity owns a wastewater collection system within a reasonable proximity to the Expanded Area, or is able to render sewer utility service to the Expanded Area. As required by 83 Illinois Administrative Code § 200.150(b), Aqua served a copy of its Verified Petition on each municipality located partly or wholly within the Expanded Area, or with a corporate boundary that is within one and one-half miles of the Expanded Area. A list of such municipalities is included on the Certificate of Service accompanying Aqua's Verified Petition and is on file with the Commission.

**IV. TEMPORARY CERTIFICATE**

**Q11. Please discuss the Temporary Certificate that Aqua seeks in this proceeding.**

**A.** As stated, a particular customer within the Expanded Area, BC Development, as well as its commercial tenants, have immediate daily wastewater demands which

are currently being served by Monee. Monee, however, has requested that Aqua undertake on an expedited basis whatever action is necessary to relieve Monee of that burden and to assume serving BC Development's wastewater collection needs. For this reason, an emergency exists requiring Aqua to immediately provide service to BC Development and its commercial tenants.

**Q12. What rates does Aqua propose to charge for the Expanded Area under the Temporary Certificate?**

A. Under the Temporary Certificate, Aqua proposes that the rates for sewer service be those currently in effect (or as modified) in Aqua's University Park Division.

**V. PERMANENT CERTIFICATE**

**Q13. Please discuss the permanent Certificate that Aqua seeks in this proceeding.**

A. As stated, BC Development requires immediate wastewater service and other commercial entities on septic systems in the Expanded Area may take service from Aqua. Aqua also expects future development by BC Development and possibly others to occur in the Expanded Area. The Expanded Area, including BC Development and any future customers residing in the Expanded Area, will therefore require wastewater services on a permanent basis. As such, Aqua believes grant of a wastewater Certificate is appropriate.

In addition, within those portions of the Expanded Area within Monee's corporate boundaries, Monee provides water service. However, as indicated in Monee's March 29, 2011 letter to Aqua requesting expedited certifying of the Expanded Area (Aqua Ex. 1.3), Monee has asked Aqua to take "any and all action" to obtain a Certificate for the Expanded Area. Monee does not object to Aqua

obtaining a water Certificate in the Expanded Area. Circumstances may arise under which Monee and/or future customers request that Aqua provide water service in the Expanded Area in the future. Aqua therefore believes grant of water Certificate is appropriate now, in order to avoid future administrative costs should water service be requested from Aqua in the Expanded Area.

**VI. WATER AND SEWER FACILITIES FOR THE EXPANDED AREA**

**Q14. Please describe the facilities necessary to provide adequate, reliable and efficient water and wastewater collection service to the Expanded Area.**

**A.** The Ridgeland Mains are adjacent to the Expanded Area on the west side of Ridgeland Avenue. BC Development is located on the east side of Ridgeland Avenue. In order to serve BC Development and the Expanded Area, and to respond to Monee's request, Aqua will allow BC Development to connect to the Ridgeland Mains. Aqua will undertake further construction of connections, main extensions and/or other facilities as necessary to provide adequate, reliable and efficient water and wastewater service to BC Development and any future customers in the Expanded Area.

**Q15. What rules will govern the facilities in the Expanded Area?**

**A.** Any main extensions will be constructed pursuant to Aqua's Rules, Regulations and Conditions of Service (Water), Section 29 (ILL. C.C. No. 47, Sec. 1, Original Sheet Nos. 32-33), and Aqua's Rules, Regulations and Conditions of Service (Sewer), Section XI (ILL. C. C. No. 48, Sec. 1, Original Sheet Nos. 28-30), regarding mains (the "Standard Mains Rules").

**Q16. Please discuss the anticipated cost associated with construction of the necessary**



161 facilities.

162 A. The cost Aqua will incur to construct facilities, as needed, will be the least-cost  
163 means of satisfying the water and wastewater service needs of those customers.  
164 Moreover, Aqua's investment in water and wastewater facilities necessary to serve  
165 the Expanded Area will be reasonable and in accordance with the applicable rules,  
166 regulations and policies of the Commission.

167 **Q17. Is Aqua capable of financing any necessary construction without adverse**  
168 **impacts on the Company or its customers?**

169 A. Yes. The provision of public water and sewer service in the Expanded Area will  
170 impose no financial burden on either Aqua or its existing customers. Rather,  
171 existing customers will experience benefits from growth of the Aqua system as  
172 common costs are spread over a larger customer base. Additionally, once Aqua  
173 has connected the Ridgeland Mains to BC Development's facilities, Aqua will  
174 immediately begin to collect revenues from that customer. Aqua Illinois has bank  
175 lines of credit totaling \$8 million dollars available to finance the capital needs of a  
176 public water supply and sewer treatment operation, and also provide day to day  
177 working capital to operate the system. Additionally, Aqua's parent company, Aqua  
178 America, has over \$85 million of equity capital invested in Illinois and is  
179 committed to investing additional capital as needed.

180 **Q18. Please discuss Aqua's ability to provide the necessary water and sewer service.**

181 A. Aqua is capable of efficiently managing and supervising any necessary  
182 construction processes, and it will take sufficient action to assure that any  
183 construction and supervision thereof are adequate and efficient. Aqua has the

technical, financial and managerial ability to construct, operate and maintain a public water supply and distribution system and a sewage treatment and collection system for the Expanded Area.

**Q19. Does Aqua anticipate a need to acquire rights-of-way from private landowners for the facilities in the Expanded Area?**

**A.** At present, however, a need for acquisition of rights-of-way from private landowners is not anticipated. In acquiring rights-of-way from private landowners, if any are necessary, Aqua will follow the provisions of Part 300 of the Commission's Rules, 83 Ill. Admin. Code, Part 300.

**VII. APPLICATION OF RATES IN EXPANDED AREA**

**Q20. What rates does Aqua propose to charge for the Expanded Area under the permanent Certificate?**

**A.** In the Original Certificated Area, Aqua currently charges for water service and wastewater service the rates set forth in the tariffs of the University Park Division. (Ill. C.C. No. 47, Section No. 4, Sheet Nos. 1-21 (water service); and Ill. C.C. No. 48, Section No. 3, Sheet Nos. 1-10 (wastewater service)). Aqua proposes to apply these same rates throughout the Expanded Area (as now in effect or as such rates may be subsequently modified by Order of the Commission). In addition, all other applicable water and wastewater charges for the University Park Division would apply to service within the Expanded Area, including, but not limited to, public and private fire protection charges, returned check charges, late-payment fees and State and municipal add-on taxes or fees.

207 **VIII. ACCOUNTING ENTRIES**

208 **Q21. Please explain the accounting for the facilities in the Expanded Area.**

209 **A.** In accordance with Commission policy and the Uniform System of Accounts for  
210 Water Utilities (83 Ill. Admin. Code, Part 605, Accounting Instruction 17), Aqua  
211 proposes to record the original cost of all water and wastewater facilities for the  
212 Expanded Area in the applicable Utility Plant In Service accounts (Account 101—  
213 for water and sewer service, separately). The Company proposes to record any  
214 contributions or deposits for the facilities as contributions in Account 271—  
215 Contributions in Aid of Construction.

216 **IX. DEPRECIATION RATES**

217 **Q22. What depreciation rates will be in effect for the Expanded Area?**

218 **A.** For the Expanded Area, Aqua proposes to use the depreciation rates for the  
219 University Park Division, as now in effect or as subsequently revised.

220 **Q23. Does this conclude your Direct Testimony?**

221 **A.** Yes.